

**MONTGOMERY COUNTY, MARYLAND
OFFICE OF INSPECTOR GENERAL**

**FOUR-YEAR WORK PLAN
FOR THE PERIOD
JANUARY 1, 2002 THROUGH DECEMBER 31, 2005**

MEMORANDUM

December 31, 2001

TO: Steven Silverman
Council President

Douglas M. Duncan
County Executive

FROM: Norman D. Butts
Inspector General

SUBJECT: Four-Year Work Plan

Enclosed please find the four-year work plan for the Office of Inspector General as required under the provisions of Montgomery County Code §2-151(i).

Developing a four-year work plan is a difficult task. Such a plan requires balancing known risk factors while being responsive to changing priorities. We have always welcomed suggestions and carefully considered recommendations from interested parties about where our work can provide the most benefit to Montgomery County. We will continue to make our work as relevant as possible to policy-maker needs. We take seriously our mandate to review the effectiveness and efficiency of County programs, detect and prevent fraud, waste, and abuse, and propose ways to increase ethical, legal, and fiscal accountability. We look forward to continuing as part of the team to enhance management controls of Montgomery County government and County-funded agencies.

We are dedicated to providing the highest level of service to Montgomery County over the term of this work plan. If you have any questions or comments, please feel free to contact me.

cc: County Council

TABLE OF CONTENTS

	<u>Page</u>
TRANSMITTAL MEMORANDUM	
INTRODUCTION	1
<i>Prevent and Detect Fraud, Waste, and Abuse</i>	2
Complaint Reviews	2
Integrity Checks	3
Fraud, Waste, and Abuse Investigations	3
<i>Increase Legal, Fiscal, and Ethical Accountability</i>	3
Accountability Alerts	4
Risk Assessment Reviews	4
Audit Follow-Up	5
<i>Review Efficiency and Effectiveness of Programs and Operations</i>	5
Audits	5
Inspections	6
<i>Administrative Items</i>	6
CONCLUSION	8

APPENDICES

FOUR-YEAR WORK PLAN (Continued)

APPENDIX A	Four-Year Work Plan Summary	A-1
APPENDIX B	Risk Assessment Summary	B-1
APPENDIX C	Risk Assessment	C-1

ABBREVIATIONS

BLC	Board of License Commissioners
CJIS	Criminal Justice Information Systems
CUPF	Community Use of Public Facilities
DCR	Department of Corrections and Rehabilitation
DEP	Department of Environmental Protection
DFRS	Department of Fire and Rescue Services
DGAT	Department of Global Access Technology
DHCA	Department of Community Development and Housing
DHHS	Department of Health and Human Services
DIST	Department of Information Systems and Telecommunications
DLC	Department of Liquor Control
DPWT	Department of Public Works and Transportation
HRC	Human Relations Commission
IGR	Intergovernmental Relations
IPD	Instruction and Program Development
ISP	Instructional Support Programs
MSPB	Merit System Protection Board
NDA	Non-Departmental Accounts
OLO	Office of Legislative Oversight
PPC	Maryland-National Capital Park & Planning Commission
SAO	State's Attorney's Office
SCS	Student and Community Services

FOUR-YEAR WORK PLAN (Continued)

MONTGOMERY COUNTY, MARYLAND OFFICE OF INSPECTOR GENERAL

FOUR-YEAR WORK PLAN

Introduction

On March 6, 2001 the inspector general was appointed to a full four-year term of office. The new term commenced on July 1, 2001 and will end on June 30, 2005. County law establishing the Office of Inspector General ("OIG") requires the inspector general to adopt a work plan within six months of being appointed. The new four-year work plan is for the period January 1, 2002 to December 31, 2005. The work plan, which must be released to the public, may be amended from time to time

The inspector general chooses specific topics and issues for inclusion in the work plan after seeking recommendations and suggestions from members of County Council, the County Executive, the heads of County government departments, offices, and independent County agencies, employees of County government and independent agencies, employee organizations, and citizens. The work plan was developed after careful consideration was given to available resources and the OIG mission. The mission of the OIG includes the following three goals set in the OIG law:

1. Prevent and detect fraud, waste and abuse in government activities. "Watchdog" is a word frequently used to describe an inspector general. The public expects the inspector general to work diligently to prevent and detect fraud, waste, and abuse. This expectation is not unreasonable. The OIG will continue to work hard in this area.
2. Propose ways to increase the legal, fiscal, and ethical accountability of County government departments and County-funded agencies. Taxpayers expect greater accountability from County government and County-related agencies. The American system of managing public programs rests on an elaborate structure of relationships among all levels of government. Officials who manage public programs need to render a timely and accurate account of their activities to the public. The OIG is committed to finding new ways to increase accountability with regard to the management of public programs.
3. Review efficiency and effectiveness of programs and operations of County government and independent County agencies. Consumers of government services are increasingly demanding high value for their tax dollars. Confirming this value is one of the tasks assigned to the inspector general. The OIG will strive to review efficiency and effectiveness to determine whether programs and agencies are acquiring, protecting, and using their resources economically and efficiently; the causes of inefficiencies or uneconomical practices; and the extent to which the

FOUR-YEAR WORK PLAN (Continued)

desired results established by the County Council and County Executive are being achieved.

The topics in the work plan lay out with more specificity information relating to the following: ***Prevent and Detect Fraud, Waste, and Abuse; Increase Legal, Fiscal, and Ethical Accountability; Review Efficiency and Effectiveness of Programs and Operations;*** and ***Administrative Items***. Each of the categories will define the function and summarize any work product that can be expected from that area. The text of the work plan is followed by three appendices: Work Plan Summary (Appendix A), Risk Assessment Summary (Appendix B), and the complete Risk Assessment (Appendix C).

Prevent and Detect Fraud, Waste, and Abuse

The prevent and detect function of the OIG consists of a preliminary review of all complaints received by OIG; integrity checks; and, where appropriate, fraud, waste, and abuse investigations. Much of the work in this area may go unnoticed by Council and the Executive as well as the public. Only investigations where a final, written report has been issued and authorized for release by the inspector general will become public. However, lack of a written report should not be taken as lack of OIG effort -- deterrence is one of our most important products.

Complaint Reviews

The starting point in many OIG efforts to prevent and detect fraud, waste, and abuse is preliminary review of a complaint. OIG receives complaints from many sources including officials, employees, employee groups, citizens, and the media. Complaints are received in writing or through telephone calls, faxes, or office visits. Not all complaints to OIG result in a formal investigation and report. In fact, most do not. The inspector general welcomes complaints and all are taken seriously. However, only complaints found by the OIG to contain specific and credible information regarding fraud, waste, and abuse are investigated further.

In the past three years OIG has received on average more than 50 complaints annually. After careful review by the inspector general and staff, these complaints are generally disposed of in one of three ways. First, complaints may be closed for lack of evidence, for lack of jurisdiction, or for some other good cause. Second, complaints may be closed by referring the issue to another department, office, or agency. (Referrals are made in cases where the department, office, or agency receiving the referral has the administrative capacity and willingness to resolve efficiently and effectively the issue to the satisfaction of the OIG.) Third, complaints may become the basis for a formal audit or investigation. Previously closed complaints may sometimes be reopened upon receipt of additional information. Some complaints are closed quickly, while other complaints require significant amounts of OIG staff time and other resources. All complaints received by OIG receive a preliminary review by either the inspector general or the deputy inspector general. OIG staff then makes a determination as to the disposition of the complaint.

FOUR-YEAR WORK PLAN (Continued)

WORK PLAN ITEM: Complaint Reviews.

1. OIG anticipates reviewing more than 200 complaints during the term of this work plan.

Integrity Checks

OIG has a program designed to periodically review and compare various government and other databases. These reviews may ultimately result in further audit, investigation, or analysis of identified anomalies that reveal the potential for fraud, waste, or abuse. For example, in programs where employees or contractors are required to hold licenses or certifications or where specific safety training or insurance is required as a condition of employment or contract, OIG might compare employee rosters and vendor lists with licensing, certification, or training organizations or insurers. Integrity checks might be the catalyst for further audit or investigation.

WORK PLAN ITEM: Integrity Checks.

2. OIG will conduct between 8 and 20 integrity checks during the term of the work plan, depending upon the level of OIG staff resources.

Fraud, Waste, and Abuse Investigations

The caseload for investigation of complaints alleging fraud, waste, or abuse is uneven over the course of a year. Where possible OIG fraud, waste, and abuse investigations will conclude with a written, public report. Because of the confidential nature of complaints to the inspector general, some OIG investigations cannot be disclosed to the public except in the most general way in the OIG Annual Report. OIG has given and will continue to give top priority to speedy and complete review and investigation of complaints alleging fraud, waste, and abuse. If OIG obtains sufficient, credible evidence of a substantial fraud during an investigation, a referral will be made to the appropriate local, state, or federal criminal investigative agency.

WORK PLAN ITEM: Fraud, Waste, and Abuse Investigations.

3. OIG will conduct fraud, waste, and abuse investigations as required during the term of the work plan.

Increase Legal, Fiscal, and Ethical Accountability

Being accountable is one of the guiding principles necessary for providing excellence in government. In addition to OIG audits and investigations as means to promote and

FOUR-YEAR WORK PLAN (Continued)

assure responsible government, OIG will use other methods to enhance the legal, fiscal, and ethical accountability of county government departments and county-funded agencies. These methods include accountability alerts, risk assessment reviews, and audit follow-up.

Accountability Alerts

An Accountability Alert is used by the inspector general to bring potentially important matters in a department or office to the attention of the director in a low-keyed manner. An Accountability Alert differs from an OIG audit or investigation. OIG audits and investigations are much more formal processes. An Accountability Alert is designed to draw a department head's attention to an important issue in his or her department and get his or her immediate response.

An Accountability Alert may resolve an issue without the need for a full OIG audit or investigation. A complete and timely written response with supporting documentation and a corrective action plan, if applicable, will often conclude the Accountability Alert process. What happens to the Accountability Alert after a department or office director responds depends upon the issue involved. In cases where the issue is of limited concern, the Accountability Alert, and the department head's response will be the end of the matter. In cases where the issue may be of county-wide interest or concern, a summary of the issue may be forwarded to other department or office directors as well as the County Council and the County Executive for their information.

WORK PLAN ITEM: Accountability Alerts

4. OIG will initiate between 16 and 36 Accountability Alerts during the term of the work plan, depending upon the level of OIG staff resources.

Risk Assessment Reviews

The OIG audit risk assessment program is a two-pronged approach to the identification and evaluation of audit risk in County government and independent agency programs. The audit risk assessment program currently includes updating, revising, and expanding two data files. One is a risk assessment spreadsheet that currently identifies and ranks County government and County-funded agency programs according to seven variables. The other is a database containing all findings and recommendations found in external and internal audit reports and management letters for County government.

OIG plans call for the risk assessment spreadsheet to be updated with more current budget and financial information; new variables may be added as needed; and agencies beyond County government and MCPS to be added. These plans would move forward as time and resources permit.

FOUR-YEAR WORK PLAN (Continued)

WORK PLAN ITEM: Risk assessment reviews.

5. OIG will complete 2-4 revisions to risk assessment data files as time and resources permit.

Audit Follow-Up

Much of the benefit from audit work is not in the findings reported or the recommendations made, but in their effective resolution. Auditee management is responsible for resolving audit findings and recommendations. Having a process to track their status can help management fulfill this responsibility. If management does not have such a process, auditors may wish to establish their own. Continued attention to findings and recommendations can help auditors and the public ensure that the benefits of audit work are realized. OIG will follow-up on management implementation of findings and recommendations in OIG, internal audit, consultant, and other reports. Audit follow-up will generally occur within six months to one year after the audit, inspection, or investigative report has been issued.

WORK PLAN ITEM: Audit Follow-Up

6. OIG will complete 8-16 audit follow-ups during the term of the work plan depending on the level of OIG staff resources.

Review Efficiency and Effectiveness of Programs and Operations

The inspector general's goal to review efficiency and effectiveness of programs and operations will be accomplished by having OIG staff and consultants complete audits of programs and operations.

Audits

An audit is a formal, methodical examination or review of the accounts, records, transactions, or activities (or parts thereof) of an organization, program, or individual. During the period this work plan is in effect, OIG audits completed by staff and consultants may include, but not be limited to, a focus on the following issues and questions:

- Compliance. Is the office or department complying with requirements of laws and regulations applicable to the program under review?
- Management Controls. Does the office or department have an adequate management control system for measuring, reporting, and monitoring the program's efficiency and effectiveness?

FOUR-YEAR WORK PLAN (Continued)

- Procurement. Is the office or department following sound procurement practices?
- Assets Management. Is the office or department properly protecting and maintaining its resources?
- Staffing. Is the office or department avoiding idleness and overstaffing with respect to the program being reviewed?

In determining how to choose topics for audit, OIG will rely heavily on the results of its risk assessment. Presently that assessment has determined that more than 75% of cumulative audit risk is found in 20 of the 65 departments or offices identified by OIG in combined County government and County-funded agencies (**see: Appendix B – Risk Assessment Summary**). During the period of the work plan, staff and consultant audits will be largely confined to those 20 departments. Once a specific department is chosen, OIG may consult with that department's management to further determine specific program or activities to be audited. Departments or offices listed 21 through 65 in the Risk Assessment Summary are still subject to OIG review through audits or other work plan items as appropriate.

WORK PLAN ITEM: Audits.

7. OIG will complete a combination of between 16 and 30 staff and consultant audits during the term of the work plan depending on the level of OIG staff resources.

Inspections

An inspection is different from an audit and investigation. An inspection is aimed at evaluating, reviewing, analyzing, or studying programs and activities of departments or offices for the purpose of providing information to policy makers and managers for decision making, for making recommendations for improvements to programs, policies, or procedures, and for administrative action. For some time OIG staff has felt that there was a need for a product that was something less than a full-scale performance audit and that addressed those situations where a topic or issue crossed departmental or agency boundaries and had County-wide implications. Examples of issues or topics that might be the subject of an OIG inspection include travel, telephone and computer usage, take-home vehicles, best practices, etc.

WORK PLAN ITEM: Inspections

8. OIG will complete between 8 and 20 inspections during the term of the work plan, depending on the level of OIG staff resources.

Administrative Items

In addition to the work plan items listed above, OIG will complete several important administrative items. These items will consume significant staff time and resources and

FOUR-YEAR WORK PLAN (Continued)

will help OIG achieve the three inspector general goals mentioned above. Completion of the administrative items will also provide important support to other programs and generally strengthen operations.

Annual Report

OIG is required to submit an annual report to Council and the Executive by October 1 of each year. Beginning with the 1999 annual report and using a format designed by the National Association of Local Government Auditors (“NALGA”), the inspector general introduced an extensive benchmarking and best practices program. OIG will continue that program and expand it to include a comparison with prior year efforts as well as continuing the comparison with other local government audit and investigative operations.

WORK PLAN ITEM: Annual Report.

9. OIG will submit 4 annual reports, one by October 1st of each year.

Audit and Investigative Procedures Manual Revision

OIG policies and procedures will be revised as appropriate to reflect the legislative and other environmental changes.

WORK PLAN ITEM: Audit and Investigative Procedures Manual Revision.

10. OIG will complete a revision of the audit and investigative procedures manual as appropriate.

Peer Review

Who audits the auditors? OIG conducts its work in accordance with Government Auditing Standards, 1994 Revision issued by the Comptroller General of the United States. These GAO standards require an audit office to undergo an examination by a peer group every three years. OIG had its first peer review in April 2001. A team from the National Association of Local Government Auditors (N.A.L.G.A.) conducted the review. OIG anticipates asking N.A.L.G.A. to conduct a similar review in 2004. A peer review requires significant staff time and effort before, during, and after the review. However, we believe this review is very important because it assures OIG accountability with the highest professional standards.

FOUR-YEAR WORK PLAN (Continued)

WORK PLAN ITEM: Peer Review.

11. OIG will under-go a peer review during fiscal year 2004.

Conclusion

According to Montgomery County's Comprehensive Annual Financial Report for fiscal year 2000 there are three significant programs that enhance the management controls of County government – internal audit, the Office of Legislative Oversight, and the OIG. The four-year work plan for the OIG as outlined above is a forward-thinking and ambitious document for a small office. But Montgomery County is an organization known for its cutting-edge programs and its triple AAA bond rating. The County's extraordinary achievements are no accident. They require good executive management and good legislative oversight – good government -- on a constant and consistent basis. OIG is proud to be a part of the effort to ensure continued good government.

MONTGOMERY COUNTY, MARYLAND OFFICE OF INSPECTOR GENERAL FOUR-YEAR WORK PLAN SUMMARY (January 1, 2002 -- December 31, 2005)

<u>Category / Item</u>	<u>Estimated Number</u>	<u>Public Document Produced</u>
Prevent and Detect		
1. Complaint Reviews	200	No
2. Integrity Checks	8-20	No
3. Fraud, Waste & Abuse Investigations	As Required	Yes/No
Increase Accountability		
4. Accountability Alerts	16-36	Yes*
5. Risk Assessment Reviews	2-4	Yes*
6. Audit Follow-Up	8-16	Yes
Review Efficiency & Effectiveness		
7. Audits	16-30	Yes
8. Inspections	8-20	Yes

FOUR-YEAR WORK PLAN (Continued)

Administrative Items

9. Annual Report	4	Yes
10. Audit & Investigative Procedures Manual Revision	1	Yes
11. Peer Review	1	Yes

* Summary available to public, but not released for general distribution.